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STATE FOR OES/EGC BARBARA DEROSA-JOYNT, ED FENDLEY  
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SUBJECT: Response to Request on Green Investments in  
Stimulus Packages

Ref: a) State 026022; b) Beijing 0665; c) Guangzhou 0157

¶1. (SBU) Summary. Since November 2008, China has announced a RMB four trillion (USD 585 billion) fiscal stimulus package as well as ten industrial sector revitalization plans, the latter largely without specific funding. Various parts of the stimulus program and some of the sectoral plans include "green" elements, although in most cases it is not clear if they represent new initiatives or previously existing programs. Also, in most cases funding levels for "green" portions of the projects have not been specified. This cable provides Embassy responses to questions raised in Ref a. End summary.

¶2. (SBU) To address the growing impact of the global economic crisis, in November 2008 China's State Council announced a comprehensive two-year, RMB four trillion (USD 585 billion) fiscal stimulus package intended to boost economic growth, stimulate domestic consumption, promote economic rebalancing, and create or preserve employment. Of the RMB four trillion total, the central government is to provide RMB 1.18 trillion, while provincial and local governments, banks, and other enterprises would be responsible for the remainder. Approximately RMB 230 billion (USD 34 billion) is designated for disbursement to project implementation agencies and enterprises in December 2008 and the first quarter of 2009, with the remaining funds to be utilized through the end of 2010. Chinese Government agencies, led by the National Development and Reform Commission (NDRC), have identified a list of sectors and specific projects for funding under the stimulus program. It appears that some of the projects selected had been

approved previously but not funded, and were therefore able to be implemented quickly.

13. (SBU) According to the NDRC's outline, the RMB four trillion will be allocated to the following sectors:

- Livelihood projects (RMB 400 billion), including residential buildings, low-cost housing, and living quarters in forestry, agricultural and mining regions;
- Rural infrastructure (RMB 370 billion), including rural water resources (RMB 40.1 billion), drinking water safety and electricity (RMB 43 billion), and small hydrology projects (RMB 63.5 billion);
- Infrastructure (RMB 1.50 trillion), including railroads (RMB 73.2 billion), highways (RMB 103.5 billion), airports (RMB 24.2 billion), and ports (RMB 10.3 billion);
- Social welfare (RMB 150 billion), including education, health care, culture, and family planning;
- Energy efficiency, emission reduction, and ecological projects (RMB 210 billion), including ten key energy-saving projects (RMB 32.5 billion); urban waste water, solid waste treatment, and pipeline construction (RMB 13 billion); and key water bodies pollution control projects (RMB 4 billion);

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- Industrial restructuring and technology upgrade (RMB 370 billion), including science and technology special projects (RMB 12.5 billion) and enterprise innovation and high-tech projects (RMB 20 billion);
- Post-earthquake reconstruction (RMB 1 trillion);
- Other social services (RMB 39.4 billion);
- To be determined (RMB 65 billion).

#### Energy and energy efficiency

15. (SBU) The energy industry in China will benefit greatly from the stimulus package, with RMB 580 billion (USD 85 billion) slotted for construction of new nuclear and wind power capacity. According to the stimulus plan, China hopes to increase the renewable share of total energy output to ten percent by 2010, in order to reduce pollution and decrease dependence on coal and oil. Specifically, the stimulus package details 44 clean energy projects, including 29 for wind power. Although not included in the stimulus package, the NDRC also has approved hydropower and windpower plans to generate approximately two gigawatts of energy. According to media reports, the Chinese Government wants wind power installed capacity to reach ten GW by 2010. Ref C describes China's efforts in Fujian Province to develop alternative energies.

#### Power Grids and Power Lines

16. (SBU) The infrastructure development segment of the stimulus package includes approximately RMB 810.8 billion (USD 119 billion) for upgrading power grids in 2009. The prime recipients for this funding will be China's two major power grid companies: the State Grid Corporation of China (State Grid) and China Southern Power Grid. State Grid operates electricity transmission grids in 26 of China's 31 provinces, and plans to invest RMB 83 billion (USD 12 billion) of stimulus money to construct more ultra-high voltage (UHV) power lines to improve power transmission and reduce losses. Completion date is the end of 2010. In addition, State Grid plans to utilize

RMB 1.16 trillion (USD 170 billion) from bond issuance to finance new power grid construction, with supplemental funding from local governments. China Southern Power Grid plans to invest RMB 60 billion (USD 8.8 billion) to renovate its power grids.

#### Conversion and Clean Technology Projects

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¶17. (SBU) Approximately RMB 350 billion (USD 51 billion) of China's fiscal stimulus package is assigned to ecological protection to improve tainted water supplies and expand recycling and water pollution projects. This includes 120 major water conservancy projects, 65 large and medium-sized reservoir reinforcement projects, and 40 large-scale irrigation and water conservation projects. Separately, the Ministry of Water Resources plans to invest RMB 20 billion (USD 2.9 billion) to construct reservoirs and irrigation systems. Finally, an

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unspecified amount of stimulus money is intended for reforestation projects, treatment of chromium residue, and sewage treatment systems.

#### Sectoral Revitalization Plans

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¶18. (SBU) In addition to the fiscal stimulus package, in January and February 2009 the Government issued ten industrial sector revitalization programs, some of which may overlap with and/or receive funding through the four trillion stimulus package. Although funding levels were not specified, in general these programs are designed to stimulate domestic consumption and accelerate consolidation and modernization of the designated sectors. Some of the ten plans contain some "green" elements, such as improving water treatment and factory effluent in the textiles sector, but they are not quantified. Similarly, the automobile, machinery, light industry and nonferrous metals plans all include energy saving and environmental protection as goals, but only the automobile plan -- the "greenest" of the ten -- provides any specifics about funding (a RMB five billion subsidy to encourage farmers to upgrade their vehicles). The auto plan includes measures to protect the environment by reducing the sales tax on vehicles with smaller engines and encouraging the development of environmentally-friendly cars. The petrochemical plan focuses in part on construction of new refineries and new processing technologies (ref B), and may help address urban pollution by improving the quality of petrol and diesel while reducing emissions.

#### Not Mentioned

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¶19. (SBU) Much of the detail remains lacking in China's fiscal stimulus package and industrial revitalization programs. Broad areas that have not been addressed include research and development of low-carbon technologies, low-carbon transportation, mass transportation, and incentives to reduce the use of fossil fuels. Nor are there any indications that "green jobs" or "green worker training initiatives" will form part of the plans.

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